The Money on Your Life

Many families need much more insurance, but do they need it the A.L. Williams way?

Who is A. L. Williams, and why are they saying all of those terrible things about him?

He's a pudgy, balding ex-football coach, whose expletives never have to be deleted ("dadgum") and whose studied down-home manner drives the competition wild ("I'm going to kick their butts"). His adoring legions of salespeople—messianic and 200,000 strong—sell more term life insurance than anyone else in the country, by belligerently raiding the cash-value policies sold by other insurers.

His competition—bruised of butt—is the traditional life-insurance industry. Alan Press, president of the National Association of Life Underwriters, accuses Art Williams of flat-out deception in switching people out of policies they ought to keep. Although the industry sells all kinds of coverage, it stakes its profits on cash values. These policies build up savings that you can redeem when you retire, but you have to invest a lot of money. At the age of 30, a $100,000 nonsmoker policy might set you back $1,000 a year.

By contrast, term insurance is cheap—for that same policy, maybe $125 or less at 30, with the price going up as you get older. Term builds no savings. For retirement, Williams says, take the money you didn't spend on high-premium insurance and invest it all in mutual funds.

Search and destroy: If that's all there was to it, this could be dismissed as just another skirmish in the long-running feud between "term-ites" and "cash-ews"—the Hatfields and McCoys of the insurance business. But Williams's mission is search and destroy. Cash values are a "ripoff," he roars to his zealous troops, most of them part-timers who sell insurance for extra income. The people who sell cash values are "low-life and scum." It's the Lord's work to flush out these policies and replace them with term.

Forgetting the defamation, the underlying premise is often true. Many families with cash-value policies are tragically underinsured. The premium is so high that they can't afford all the coverage they need. If the breadwinner dies, the insurance check will probably vanish in a year. Had they bought low-premium term insurance, they'd have had 10 times the money. But agents earn bigger commissions by selling cash value, so they often push it even if it leaves a family short. The Williams organization wouldn't exist if all life-insurance agents did their jobs.

Still, granting a wider need for term insurance doesn't mean you should buy it from A. L. Williams. He claims that his policies are the cheapest. But you'll find better deals.

Say you're 30 and need $100,000 of coverage. Male or female, most nonsmokers pay A. L. Williams $207 a year for a term policy lasting 20 years. (There's a "preferred," $170 rate, but only one out of three nonsmokers gets it.)

By contrast, a five-year policy from Bankers Security of Arlington, Va., costs a nonsmoking man an average of $167 after 20 years, and a woman, $146. At Jackson National Life of Lansing, Mich., a 10-year policy costs a man an average of $177 after 20 years, and a woman, only $144. These companies look even better when you count the time value of money; they start with lower premiums and don't charge more until partway through the term.

How do you find a cheap term policy? Easy. Call one of the computerized price-quote services. Answer a few questions, like your age and whether you smoke. You'll get a list of four or five low-cost policies sold in your state.

To tap into the broadest price survey, send $50 to Insurance Information Inc., 41 Pleasant Street, Methuen, Mass. 01844. III tracks 200 to 300 companies. When you get your list, you call the ones that interest you and ask for a life-insurance agent in your area.

Other services are life-insurance agents themselves: InsuranceQuote in Arizona (800-972-1104; in state, 345-7241), SelectQuote in California (800-343-1985) and TermQuote in Ohio (800-444-8376). They may have 15 to 50 low-priced companies in their computers and will send price quotes free. If you want to buy, just call them back.

Dividend payers: Equally important is whether your policy ought to be replaced at all. The answer is yes, if that's what it takes to get all the coverage that you need (although it might make more sense to put a cheap term policy on top of your present cash-value coverage). And yes, if your policy pays no dividends and is at least 10 years old (it's probably yielding a poor return). But dividend-paying policies are another matter. Some are stinkers and should be dumped; others are excellent investments.

A.L. Williams agents don't distinguish between the good and the bad. They can make all cash-value policies look bad by illustrating them without the dividends they pay. Williams says that's fair because dividends are not guaranteed. But neither are the yields on his mutual funds, which he recommends in place of dividends. Jim Hunt of the National Insurance Consumer Organization (NICO) says that some policies show internal rates of return of 9 and 10 percent tax-deferred, which equal the long-term return from stocks. You can dream of getting 14 percent from a mutual fund, but it's not likely over the long run. Also, when you surrender a policy you may lose some cash values. It takes some doing for the mutual fund to earn that money back.

Before switching, talk to your original insurance agent, advises Harold Skipper, insurance professor at Georgia State University. Maybe he or she has a better policy to show you. Or you might change your old policy. Jim Roberts of Ayco Corp., a financial-planning firm, suggests making it a smaller cash-value policy that still earns dividends but costs you no premiums. If you're short of coverage, you could use the savings to buy term insurance.

Also, consult with NICO, at 121 N. Payne Street, Alexandria, Va. 22314. For $30, it will analyze your present policy and tell you what it's earning, so that you can judge a replacement proposal. Don't send your insurance policy itself. NICO needs only the "in-force ledger statement" which your insurance agent can get for you.

I'll say this for A. L. Williams: he has forced the industry to pay more attention to what they're selling the middle class. The pity of it is that the company's sales pitch doesn't play it straight. But then, neither does the pitch from many traditional life-insurance agents. One could argue that Williams is the competition that they all deserve.

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